Annual Report 2001/2002

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PENSION CORPORATION

BRITISH COLUMBIA

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Vision

Pension services professionally provided

Mission

Acting on behalf of
the trustees of public sector pension plans,
we serve plan members by:

- managing members' accounts
- calculating and paying member benefits
- providing information to members and employers
- supporting trustees with administration and policy advice

We do so in a way that is:

- responsive
- accurate
- efficient

Values

- Integrity
- Service
- Respect
- Teamwork

PENSION CORPORATION

BRITISH COLUMBIA

Annual Report 2001/2002

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Table of Contents

Overview 1

- Mandate 3
- Chair's Message 4
- Board Members 5
- Chief Executive Officer's Message 6
- Executive 7
- Pension Corporation Organizational Structure 8
- Business Profile for 2001/02 9

Management Discussion and Analysis 11

- Accomplishments and Objectives 12
- Performance Measures and Targets 15
- Business Activity 18
- Finances 22

Corporate Financial Statements 23

- Auditors' Report 24
- Management's Responsibility for Financial Reporting 25
- Balance Sheet 26
- Statement of Revenue and Expenses 27
- Statement of Cash Flow 28
- Notes to Financial Statements 29

Overview

Mandate

THE BRITISH COLUMBIA PENSION CORPORATION was established on April 1, 2000 under the *Public Sector Pension Plans Act*. The corporation is one of the largest pension benefit administrators in Canada, providing services to six pension plans with over 80,000 retirees, 230,000 active contributors and 750 employers.

An eight-member board of directors governs the corporation. The trustees of the College, Municipal, Public Service and Teachers' pension plans appoint board members. The board selects its own Chair, and appoints the Chief Executive Officer of the corporation.

The corporation acts as the pension benefit administrative agent for the boards of trustees of the four major pension plans. In some cases, the corporation also provides services to other BC public sector pension plans.

These services include:

enrolling employers,

collecting and recording contributions and other information from employers and plan members,

providing information about pension plan rules and benefits to employers and plan members,

calculating and processing pension benefits,

paying pension benefits and other related benefits to members,

filing documentation with appropriate tax and pension regulators, and

providing policy advice and secretariat services to the pension boards of trustees.

The corporation is located in the Selkirk Development at 2995 Jutland Road in Victoria, BC. As of March 31, 2002, the corporation had approximately 370 staff members. The corporation and its employees are covered by the *Public Service Act* and the *Public Service Labour Relations Act*.

Chair's Message

Marilyn Duggan
Chair

On behalf of the Pension Corporation Board of Directors, I am pleased to present this annual report covering our second year of operations. The board has had a busy and productive year and continues to focus on establishing a strong foundation as we guide the Pension Corporation towards our objective of being one of the best pension administrators in Canada.

The Pension Corporation Board is made up of representatives of the trustees for the major pension plans administered by the Pension Corporation. During the 2001/2002 fiscal year, the board was heavily involved in developing a planning cycle that will ensure boards of trustees, who represent our plan members, have a strong voice in planning the corporation's service delivery. Goals for the organization have now been formalized in a three-year rolling business plan. Specific performance measures have also been established to measure our progress in meeting these goals. The board is encouraged by the progress that has been made this year. We anticipate significant gains in service delivery will continue to emerge.

We do not expect the operating environment to become any less volatile. In the near term, business will continue to be significantly affected by the aging population base and by public sector downsizing and restructuring. To meet these challenges, the corporation has taken an aggressive approach to human resource and technology development. These strategies will help propel the corporation through the challenges of the next few years, building the strongest foundation possible for our future success.

The board is always mindful that the corporation's greatest asset is its staff, and we wish to thank them for their hard work and perseverance through these challenging times. We are confident that the future will bring more of the kind of successes the corporation has already experienced in its short lifetime.

Marilyn Duggan
Pension Management Board
March 31, 2002

Board Members *as at March 31 2002*

Marilyn Duggan
Chair

John Wilson
Vice Chair

Bruce Kennedy

Steven Polak

Wayne Scale

Richard Taylor

Bruce Watson

Diane Wood

Chief Executive Officer's Message

John Mochrie
Chief Executive Officer

THE PENSION CORPORATION HAS SET ITS SIGHTS on becoming one of the best pension administrators in Canada and, at the same time, a model employer. As a service provider, the key to our success is well-trained, motivated staff who are committed to providing quality service to plan members. I would like to acknowledge the contribution that our employees have made towards achieving our objectives in this, our second year of operations. During this period, while the demand for our key services increased by 24%, our output of these same services increased by 36%. Employees in both front-line and support functions recognize that serving plan members is our number one priority. I am proud of their accomplishments.

This year was the first in our three-year foundation-building business plan, which has four principal features: the development of a member-centred focus, well-trained staff, efficient data management, and enhanced web-based services. Although we did not achieve all of our performance targets for the year as a whole, we substantially eliminated the backlogs in providing final pension options to members and eliminated termination option backlogs in three of the four major pension plans.

During the year we met the challenge of significant change brought about through the completion of joint trusteeship for the public sector pension plans. As well, we assisted one of our valued customers, BC Rail, to move to a private sector service provider that complemented their longer-term business vision.

We completed our first client satisfaction survey with recently retired plan members to determine their assessment of the service we provided during their retirement experience. I am pleased to report that the results show a high level of satisfaction among this group of plan members. Client surveys will continue to form an important part of the measurement of our effectiveness as a service organization. In the coming year, we will be surveying active members who are not currently considering retirement, and plan employer representatives.

We invested additional resources this year to work with plan employers to improve the quality and timeliness of their submission of essential member data. This investment has already begun to show returns. We have seen a considerable improvement in the ability to provide the required income tax information to members in a timely manner, as well as an improvement in the quality of data received in the corporation. We also established an Employers' Council, with representatives from all pension plans and the public sector. This group is helping us identify areas where we can improve our business processes and provide employers with the tools to assist plan members with pension-related issues.

Technology remains a key component in our business strategy. The web promises to be a useful tool in providing enhanced services to both plan members and participating employers. We completed a comprehensive review of our current web site and provided a new online estimator to calculate the cost of purchasing pensionable service under the simplified purchase of service rules. We also began the first stages of our web re-design project which, when completed, will offer enhanced self-service options for plan members.

I would like to extend my thanks and appreciation to the plan trustees for their support and understanding over the year. Our Board of Directors continues to provide encouragement and support to its management and the staff. On several occasions the board demonstrated its appreciation of our efforts. On behalf of all of the staff, I would like to thank them for these meaningful gestures.

At the end of our second year of operations, we are already on our way to reaching our goals, as we continue to build a strong foundation for a new vision of service.

John Mochrie
Chief Executive Officer
March 31, 2002

Executive

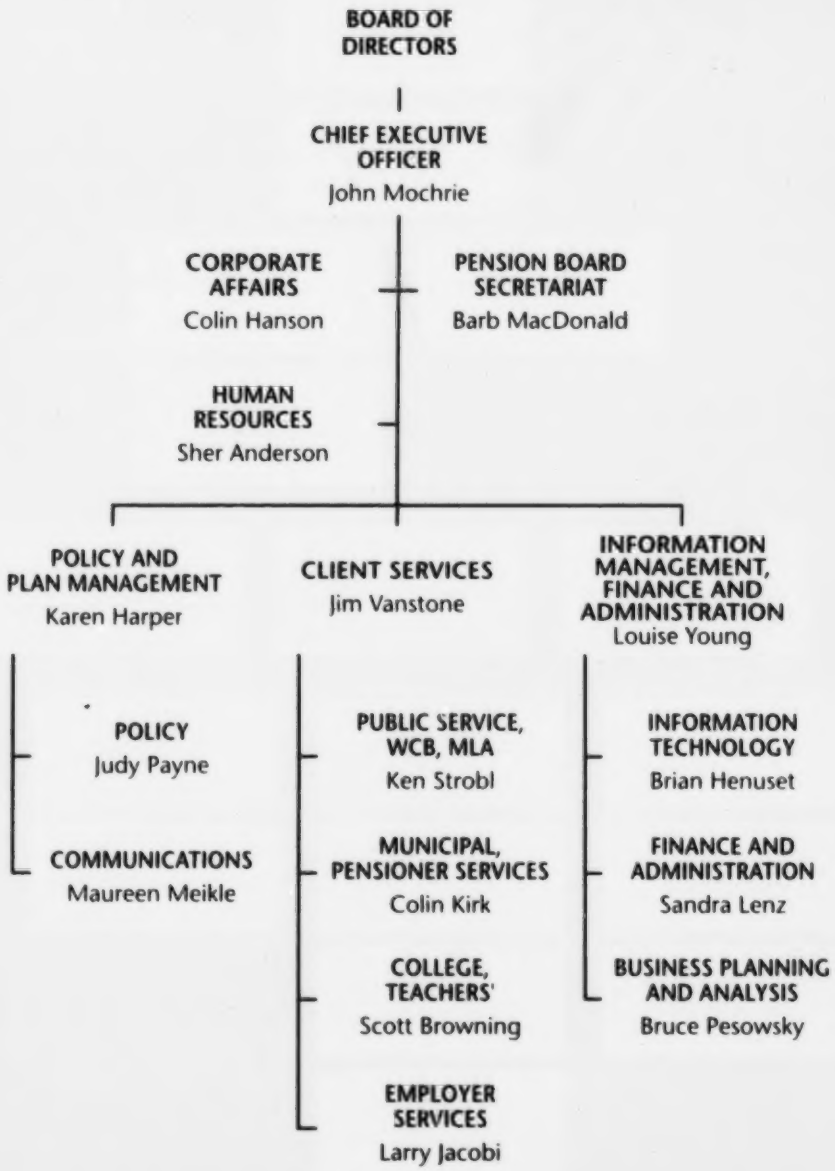
John Mochrie
Chief Executive Officer

Karen Harper
Vice President, Policy and Plan Management

Jim Vanstone
Vice President, Client Services

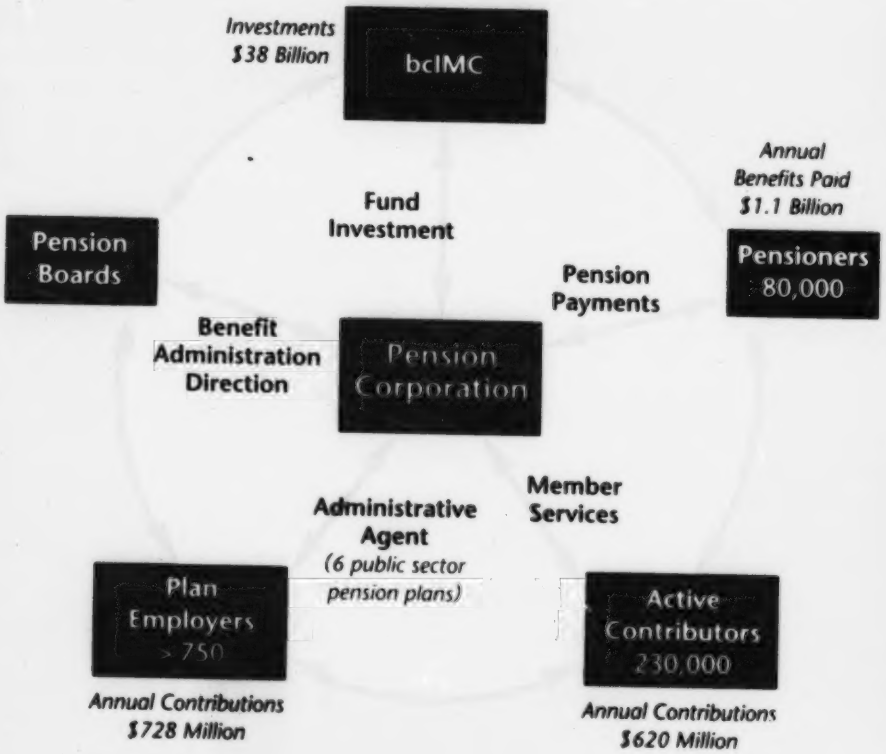
Louise Young
Vice President, Information Management, Finance and Administration

Pension Corporation Organizational Structure



Business Profile

The Pension Corporation interacts with a number of different groups. The diagram below shows how the Pension Corporation interacts with those groups and in what capacity.



Management Discussion and Analysis

Accomplishments and Objectives

DURING THE YEAR, THE CORPORATION FOCUSED on meeting the major goals outlined in its three-year business plan, including:

- implementing a corporate performance measurement framework that includes an ongoing process for validating client needs and levels of satisfaction with service
- significantly improving the timeliness of service to members and reducing service backlogs
- improving the quality and streamlining the management of key member and employer data needed for benefit administration, and
- building a foundation for quality service by increasing staff knowledge and expertise through the development of a comprehensive training program.

Performance Measurement Framework

As part of the new performance measurement framework, the corporation developed a client satisfaction methodology. We used this methodology to conduct a retirement experience survey with a representative group of plan members who had retired in the last year. The corporation has also developed surveys to assess the level of satisfaction among plan employers, trustees and plan members who had conducted business with the corporation, other than retirement. These surveys will be conducted in early 2002/03.

Backlogs and Timeliness of Service

By the end of the year, the corporation had eliminated its service backlogs for final pension options to members. We also succeeded in eliminating termination option backlogs in three of the four major pension plans that the corporation serves. These plans represent 75% of our clients.

At the same time, the corporation successfully handled larger than predicted service volumes. Most of this increase occurred in the Public Service Pension Plan as a result of a major early retirement program introduced by the provincial government.

Key initiatives during the year that assisted with current service improvement and will continue to contribute to further service improvements include:

- hiring and training of additional new staff
- implementing of a new streamlined information and application process for member terminations from the plan, and
- working with the boards of trustees of the four major pension plans to assist them in simplifying purchase of service rules. A new purchase of service cost estimator was introduced on the corporation's web site, allowing members to calculate purchase costs and make purchase decisions.

Key Member Data

Efficient and effective benefit administration relies upon the integrity of key member data provided by employers over the working life of members. Effective data management is therefore critical to the success of the corporation. Throughout the year, major progress was achieved in:

- providing formal training to employers on pension data requirements and administration
- shifting employers from paper-based to electronic data submission, and
- providing employers for the first time with web-based interactive forms to assist them in data submission.

In addition, there was a specific initiative started to proactively research historical member data to validate records for members age 56 or older. The target for the year was to research at least 15% of such records. This target was reached.

Increasing Staff Knowledge and Expertise

During the year, the corporation also worked to increase staff knowledge and expertise by developing standard core competencies for all front-line service staff. We also developed and delivered a customized advanced pension course for senior front-line staff.

Other Initiatives

The corporation also successfully completed specific planned initiatives from the corporation's business plan, including:

- implementing major benefit changes required by the relevant trustees, under new joint trusteeship agreements, for the College and Public Service Pension Plans
- consulting key stakeholder representatives to discuss a vision for future corporation services
- establishing an interplan portability project to contact members who have benefits in more than one pension plan administered by the corporation to determine the disposition of interplan entitlements. This year, we succeeded in contacting at least 10% of such members, meeting the goal we set
- creating an employer advisory council—a cross-section of 15 of the largest employers participating in the pension plans administered by the corporation. The corporation also did major work on developing new formal employer training, improved information and web services

developing an employee satisfaction survey methodology for implementation in early 2002/03

implementing a new financial reporting system for the pension plans and the corporation, and

assessing and working on a new technology infrastructure, that will support enhanced web-based services for members in the future.

Looking Forward

The year 2002/03 will continue to be a foundation-building year for the corporation. The corporation plans to:

continue to improve the quality of key member data and streamline data management

achieve a good baseline understanding of member and employer needs, validated through formal survey processes

make major progress on simplification, with full implementation of simplified rules and processes for purchases of service

complete the second year of a three-year focused training program for staff

implement a staff performance management framework

review updated technology needs for existing services (for example, pension payments and telephone services), and

continue to enhance web-based information and services to members and employers and assess various technology needs to support additional self-service options in the future.

Performance Measures and Targets

THE CORPORATION HAS DEVELOPED a series of indicators to measure the level of service to plan members. These indicators measure:

- the overall quality of service
- the timeliness of the corporation's response to key service requests, and
- productivity.

Quality of Service

The corporation surveyed a statistical sampling of recently-retired plan members to assess their perceptions of our service levels in several areas, including:

- overall quality
- timeliness
- accessibility, and
- clarity of communications.

The survey also rated their perception of service on a scale of 1-5 with 1 being very dissatisfied and 5 being very satisfied. The overall measure of performance from this sample was 4.12, (see page 17 for details). This first survey is to provide a baseline from which continuous improvement is an objective. The timeliness of the corporation's responses to service requests, which received a score of 3.49, was the principal area where a lower rating occurred.

Timeliness

This year, the corporation also introduced a new automated system to measure the timeliness of key service responses. The transactions used to measure timeliness were:

- first pension payment on time
- subsequent monthly pension payments on time
- the response to an application from a member for his or her final available pension options, and
- the options available to a member who has terminated membership in a pension plan.

The system measured the corporation's response time, irrespective of the reason for a delay. For example, in the case of first pension payments on time, files were not only classified as "late" when there was a delay in service by the corporation but also when there was a delay in a member forwarding necessary documentation, or selecting an option. The standard has recently been refined. In the future, the system will only measure files as late where the corporation has caused the delay.

The target for responding to a member's application for final pension options within the performance standard was set at 70%. Throughout the year, progressive improvement occurred in this transaction and, by the end of the year, 88% of responses were within standard.

The corporation has not yet met its target for providing options to members terminating their membership in the plan. Backlogs existed through most of the year while service priority was given to responding to pension applications. However, by the end of the year, inventories of service requests had been reduced sufficiently to allow the corporation to achieve next year's service target.

Productivity

The corporation's productivity and cost effectiveness was measured in the number of service requests completed per staff and the total cost per plan member and cost per transaction as benchmarked against a group of major Canadian public sector pension plan administrators. The lower than average number of completed transactions per staff member reflected the fact that over half of the staff were new to their positions and were on a steep learning curve and also the high complexity level of the type of transactions that the corporation concentrated on during that period.

Performance Measurements

		RESULT	FUTURE TARGET
QUALITY	The corporation surveyed plan members for the first time, and asked them to assess their overall satisfaction with the corporation on a scale of 1 to 5 (*1 = very dissatisfied; 2 = dissatisfied; 3 = neutral; 4 = satisfied; 5 = very satisfied*).	4.12	CONTINUOUS IMPROVEMENT

		RESULT	CURRENT TARGET
TIMELINESS	The corporation monitored the percentage of final pension options provided within 30 calendar days of receiving a member's request, or 120 days of the retirement date, whichever was later.	67%	70%
	The corporation measured the percentage of first pension payments delivered within the month following the retirement date.	74%	95%
	The corporation assessed the percentage of monthly pensions paid on time.	100%	100%
	The corporation monitored the percentage of termination options received within 90 calendar days of termination from the plan, or 30 days from receipt of notice by the employer, whichever was later.	35%	70%

		RESULT	BENCHMARK AVERAGE
PRODUCTIVITY	The corporation compared the number of key service requests completed per corporation staff against the average of a benchmark group composed of other Canadian pension organizations.	108	147*
	The corporation compared the total cost per key transaction against the average of a benchmark group composed of other Canadian pension organizations.	$833	$845*
	The corporation compared the administrative cost per member against the average of a benchmark group composed of other Canadian pension organizations.	$97	$98

* *Benchmarking based on key transactions has not yet been fully normalized within the group and may be subject to adjustment; and average key service requests per corporation staff was derived by the corporation based on available information.*

Business Activity

THE CORPORATION'S PRIMARY BUSINESS DRIVERS are a growing demand for services and the increasing complexity of pension administration.

The number of plan members approaching their retirement years is growing. Currently, 34% of active plan members are age 50 or over. As a result, the corporation will continue to experience an increased demand for services.

At the same time, the management of the pension plans by jointly-trusteed pension boards has meant an increased demand for accountability on the corporation as the trustees' administrative agent.

In the future, the corporation anticipates service demand volumes will continue to rise as a result of a number of key factors, including:

the aging population

more complex pension service issues and more knowledgeable plan members

a rising percentage of members who are addressing retirement planning at an earlier age

various public sector downsizing, restructuring and early retirement initiatives

the effect of new and earlier benefit opportunities made available to members, and

historically modest growth in the member base.

Some specific demand trends

An increasing percentage of our active members is at or nearing their first eligible retirement. In 1997, 27% were age 50 or older; now 34% are age 50 or older. A peak number of members will reach first eligibility for retirement in the years 2005–2009.

The retired member base has grown to over 80,000 (an increase of 14% in the last three years), and is expected to grow approximately 6% per year over the next three years. Participation in group benefit plans has also grown to between about 60%–90% depending on the plan. This has resulted in significant time being spent on group benefit administration.

At the beginning of the year, the corporation forecast demand (incoming requests), for main services would increase to about 38,000 total transactions. These main services include:

terminations

pension options

new pensions

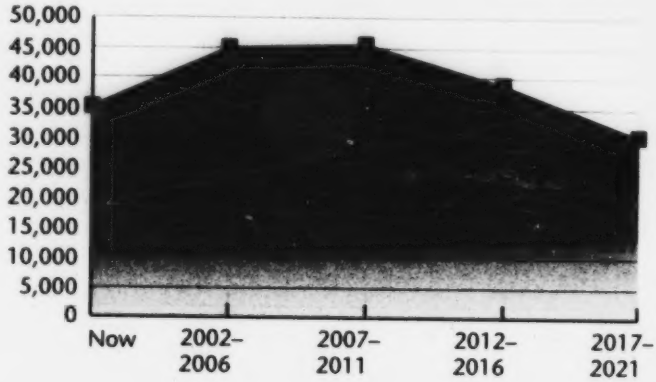
purchase of service estimates, and

interplan transfers.

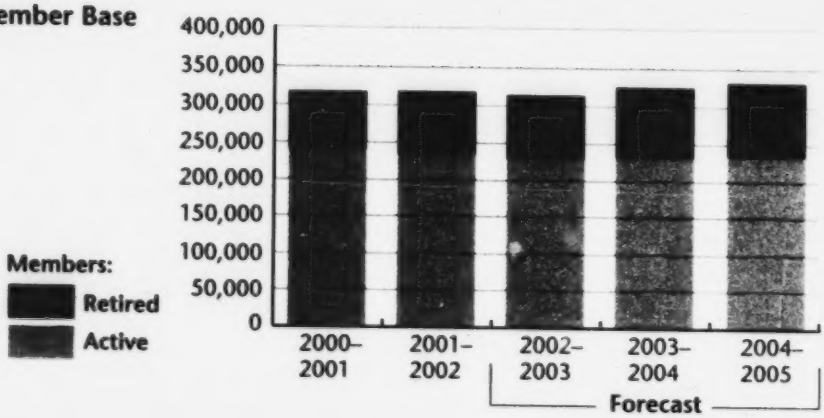
Incoming demand was underestimated and actual incoming requests for these services in 2001/02 rose to more than 46,000. This represents a 24% increase over the previous year. Purchase of service quote requests were especially high—38% more than expected for the Public Service and College Pension Plans. Pension options were also 18% more than anticipated and applications for new pensions were 13% higher. Demand volumes for these key service requests are expected to continue to increase in 2002/03 and beyond. Pensions and purchase of service volumes increased because of early retirement incentive programs and benefit changes that were introduced during the year.

In terms of response to this demand, the corporation completed over 44,000 total key transaction service requests, as compared to about 33,000 in the previous year—an increase in production of 36%.

Number of Active Members Eligible to Retire
(based on age of first eligibility, in five-year ranges)



Member Base



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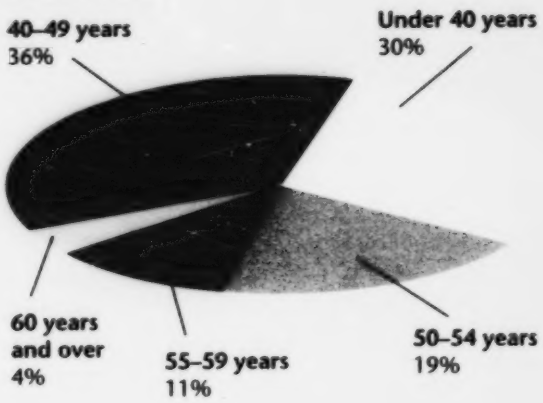
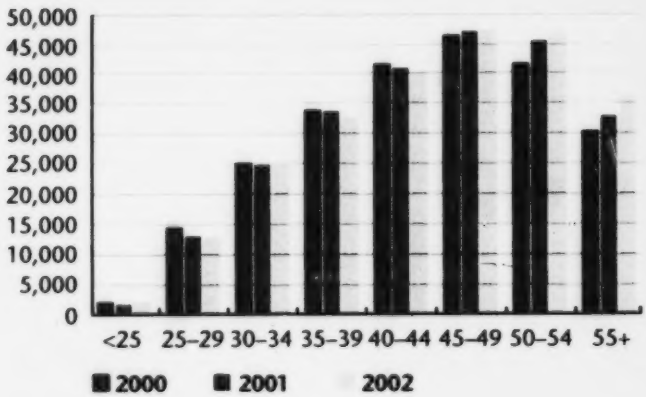
Age Profile of Active Members

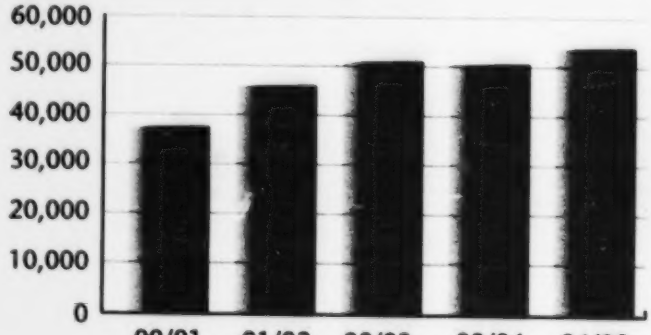
as at March 31, 2002





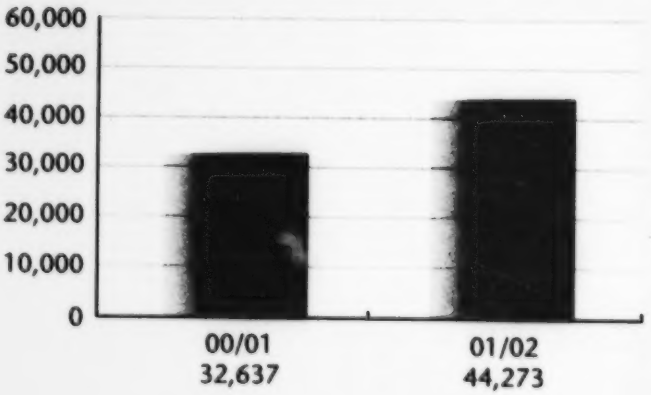
Key Service Requests and Future Demand Profile

Key service requests: pension options, new pensions, terminations, interplan transfers, and purchase of service estimates of all kinds.



	00/01	01/02	02/03	03/04	04/05
Total Key Service Requests	37,143	46,058	51,600	51,650	54,300

Completed Key Service Requests

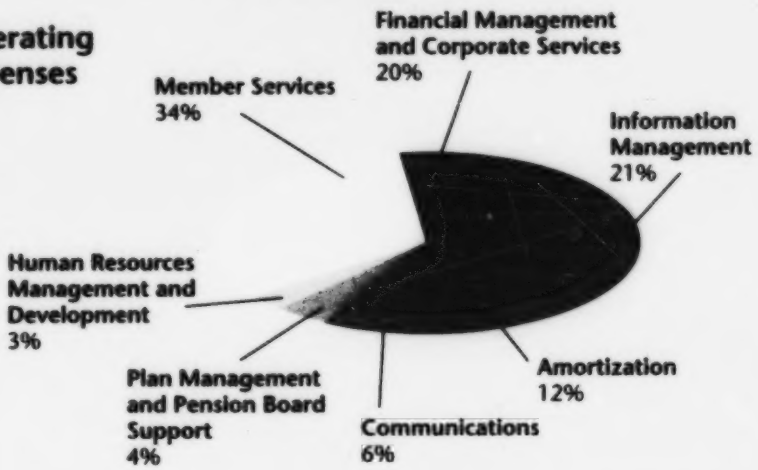


Finances

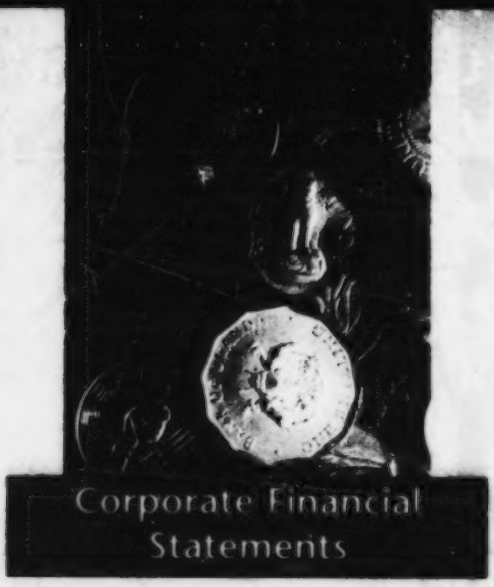
The corporation spent $30.7 million for operating expenses in 2001/02, with offsetting revenue of the same amount. Approximately one-third ($10.4 million) of operating costs was for direct services to members and employers. Total operating expenses were approximately 4% under budget, based on savings in support areas.

The corporation operates on a cost recovery basis, with full recovery of costs from the pension plan trust funds that it serves. As part of the corporation's business planning and budget development process, each pension board of trustees approves its share of relevant costs. The pension funds pay for operating costs, in addition to funding the corporation's capital asset expenditures.

Operating Expenses


Financial Management and Corporate Services 20%
Member Services 34%
Information Management 21%
Human Resources Management and Development 3%
Plan Management and Pension Board Support 4%
Communications 6%
Amortization 12%

Each year the corporation benchmarks its pension administration costs per member against a group of major Canadian public sector administrators. For the year 2001/02, the corporation's cost per member, on a basis normalized for benchmarking purposes, was $97 per member. This is below the benchmark group's average cost of $98 per member.



Corporate Financial Statements

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Chartered Accountants
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Victoria BC V8W 3Y7

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AUDITORS' REPORT

To the Members of the Pension Management Board
of the British Columbia Pension Corporation

We have audited the balance sheet of the British Columbia Pension Corporation as at March 31, 2002 and the statements of revenue and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures as at and for the year ended March 31, 2001 were reported on by the Auditor General of British Columbia.

KPMG LLP

Chartered Accountants

Vancouver, Canada

June 6, 2002

KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International, a Swiss association.

PENSION
CORPORATION

Executive
Offices

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Victoria BC
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2995 Jutland Road
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250-953-0429

BRITISH COLUMBIA PENSION CORPORATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The audited financial statements and information in the Annual Report are the responsibility of management of the British Columbia Pension Corporation (the corporation) and are approved by the Board of Directors.

Management is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Board of Directors, primarily through its Audit Committee, is responsible for ensuring that management fulfills this responsibility. The committee reviews the financial statements and recommends them to the Board for approval. The committee meets with management and external auditors to discuss internal controls, auditing and financial reporting issues.

The firm of KPMG LLP has been appointed the independent auditor of the corporation by the Board of Directors. The role of the auditor is to perform an independent audit of the financial statements of the corporation in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the auditors' report attached to the audited financial statements.

JOHN A. MOCHRIE
Chief Executive Officer
British Columbia Pension Corporation

P. LOUISE YOUNG, C.A.,
Vice-President, Information Technology,
Finance & Administration
British Columbia Pension Corporation

June 6, 2002

continued

BRITISH COLUMBIA PENSION CORPORATION
BALANCE SHEET
($ Thousands)

March 31	2002	2001
Assets		
Current:		
Cash and Short-term Investments (Note 3)	$ 4,200	$ 4,771
Due from Pension Plans (Note 4)	2,854	308
Accounts Receivable	35	35
Prepaid Expense	351	479
	7,440	5,593
Computer Systems and Other Assets (Note 5)	19,232	20,109
Total Assets	$ 26,672	$ 25,702
Liabilities and Shareholder's Equity		
Liabilities		
Current:		
Accounts Payable (Note 6)	$ 6,428	$ 4,650
Accrued Leave Liability	1,012	943
Deferred Service Revenue (Note 7)	3,150	2,891
	10,590	8,484
Long term:		
Deferred Service Revenue (Note 7)	16,082	17,218
Shareholder's Equity		
Share Capital (Note 1)	-	-
Total Liabilities and Shareholder's Equity	$ 26,672	$ 25,702

The twelve accompanying notes are an integral part of these financial statements.

Commitments (Note 10)

Marilyn Duggan
British Columbia Pension Corporation
Pension Management Board

John Wilson
British Columbia Pension Corporation
Pension Management Board

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF REVENUE AND EXPENSES
($ Thousands)

For the year ended March 31	2002	2001
Revenue		
Service Revenue	$ 30,541	$ 26,293
Investment Income	139	321
Miscellaneous Revenue	-	17
Total Revenue	30,680	26,631
Expenses (Note 8)		
Member Services	$ 10,423	8,066
Communications	1,846	1,623
Plan Management	909	773
Human Resource Management & Development	852	849
Information Management	6,523	5,860
Financial Management & Corporate Services	6,172	5,650
Amortization	3,649	3,612
Pension Board Support	306	198
Total Expenses	30,680	26,631
	$ -	$ -

continued

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF CASH FLOW
($ Thousands)

For the year ended March 31	2002	2001
Cash Flow from Operating Activities		
Advance funding received from the pension plans	$24,346	$22,381
Cash paid to suppliers and employees	(25,077)	(19,093)
Cash received from the Province - April 1, 2000 transfer	-	1,140
Investment income received	138	324
Miscellaneous cash received	22	18
Total Operating Activities	(571)	4,770
Cash Flow from Investing Activities		
Purchase of computer systems and other assets	(2,772)	(970)
Cash Flow from Financing Activities		
Computer systems and other assets advance funding	2,772	970
Increase (Decrease) for the Year	(571)	4,770
Cash and Short-Term Investments at Beginning of Year	4,771	1
Cash and Short-Term Investments at End of Year	$4,200	$4,771

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2002

1. DESCRIPTION OF THE BRITISH COLUMBIA PENSION CORPORATION

The British Columbia Pension Corporation (the corporation) was established as a corporation on April 1, 2000, under section 5 of the *Public Sector Pension Plans Act, S.B.C. 1999 C 44* (the act). The act describes the composition, appointment, powers, functions and duties of the Board of Directors for the corporation. The corporation is the benefit administrative agent for the boards of trustees responsible for the College, Municipal, Public Service and Teachers' pension plans. It may also provide services to other British Columbia public sector pension clients. The corporation's board consists of at least eight (8) directors, two (2) directors from each of the four boards of trustees above. The Chair of the Board is appointed by the directors.

Benefit administration services provided by the corporation include collecting and recording contributions, calculating and paying benefits, communicating to employers and plan members, pension plan board support services and other services specifically approved by the individual boards of trustees.

The capital of the corporation is one share with a par value of $10 owned by the Province of British Columbia.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The corporation's financial statements are prepared on an accrual basis, in accordance with Canadian generally accepted accounting principles.

b) Computer Systems and Other Assets

Computer systems and other assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives as follows:

Major Business Application Software	10 years
Other Computer Equipment and Software	3 to 5 years
Furniture	10 years
Tenant Improvements	10 years

Major business application software under development is not amortized until completion and implementation.

Assets costing less than $1,000 are expensed in the year purchased.

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

c) Revenue Recognition

Cash funding is received in advance from the pension plans that receive services from the corporation. Service revenue is recorded as operating expenditures are made and as assets are amortized. Deferred revenue which relates to funding advances for computer systems and other assets is recognized on the same basis as the related assets are amortized.

d) Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect year-end exchange rates at the balance sheet date. The resulting exchange gains and losses are included in the determination of income.

e) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts on the Balance Sheet and Statement of Revenue and Expenses at the date of the financial statements. Actual results could differ from these estimates. The significant area requiring the use of management estimates relates to the estimated useful lives of Computer Systems and Other Assets.

3. CASH AND SHORT-TERM INVESTMENTS

Short-term investments consist of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund.

Short-term investments consist of Canadian money market securities such as financial and corporate commercial paper, with terms of 15 months or less. These investments are recorded at cost, which approximates market.

	2002	2001
	($ Thousands)	
Cash	$ 379	$ 137
Short-term Investments	3,821	4,634
	$4,200	$4,771

4. DUE FROM PENSION PLANS

The corporation charges each pension plan with its respective share of the corporation's operating expenses and computer systems and other asset purchases less miscellaneous revenue, investment income and amortization.

	2002	2001
	($ Thousands)	
Municipal Pension Plan	$ 14,395	$ 11,242
Public Service Pension Plan	7,662	6,198
Teachers' Pension Plan	6,085	4,856
College Pension Plan	1,108	911
Other Plans	414	452
Total Charges to Pension Plans	$ 29,664	$ 23,659
Beginning Balance, Due from Pension Plans	308	-
Operating Advance Funding	(24,346)	(22,381)
Computer Systems Assets Advance Purchases	(2,772)	(970)
Ending Balance, Due from Pension Plans	$ 2,854	$ 308

5. COMPUTER SYSTEMS AND OTHER ASSETS

	Cost	Accumulated Amortization	Net Book Value	
		($ Thousands)		
		2002		2001
Major Business Application Software	$19,418	$3,930	$15,488	$17,023
Other Computer Equipment and Software	4,295	2,263	2,032	1,765
Furniture	1,605	377	1,228	1,113
Tenant Improvements	533	49	484	208
	$25,851	$6,619	$19,232	$20,109

continued

6. RELATED PARTY TRANSACTIONS

As a crown corporation, the corporation engages in transactions with the Province of British Columbia. These transactions are considered to be in the normal course of operations. Included in the accounts payable balance is $4.5 million (2001: $4.0 million) due to the Province of British Columbia.

7. DEFERRED SERVICE REVENUE

	2002	2001
	($ Thousands)	
Opening Balance	$20,109	$22,743
Funding For Computer Systems and Other Assets	2,772	978
Amortization	(3,649)	(3,612)
Ending Balance, Deferred Service Revenue	$19,232	$20,109
Current Portion	3,150	2,891
Long Term Portion	16,082	17,218
Ending Balance, Deferred Service Revenue	$19,232	$20,109

8. EXPENSES

Expenses by service area are presented in the Statement of Revenue and Expenses and are defined as follows:

Member Services includes direct member pre-retirement benefit services, retired member benefit services and employer services.

Communications includes development and production of communications products, as well as pre-retirement information seminars.

Plan Management includes plan rules and policy direction.

Human Resource Management and Development includes general human resource management functions, training and development.

Information Management includes strategic technology project management, ongoing information system support and corporate records management.

Financial Management and Corporate Services includes financial management, business planning and analysis, facilities, rent and other support services (including executive).

Pension Board Secretariat support includes secretariat salaries, travel and meeting expenses.

8. EXPENSES *continued*

Expenses by type are as follows:

	2002	2001
	($ Thousands)	
Salaries & Benefits	$18,217	$15,037
Systems Support & Telephones	3,994	3,881
Amortization	3,649	3,612
Building Rent & Maintenance	1,749	1,662
Office Expenses	1,110	824
Professional Services	789	588
Communications	450	412
Insurance	212	201
Training	122	54
Bank Charges	118	114
Travel	113	67
Regulatory Fees	109	109
Corporate Board Remuneration & Expenses	48	70
	$30,680	$26,631

Amortization expense includes accelerated amortization of a portion of business application software (primarily a licence) in the amount of $332,000 for which its usefulness has expired earlier than the normal amortization policy would otherwise provide.

9. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS

In accordance with the *Public Sector Pension Plans Act, S.B.C. 1999 c-44*, the corporation and its employees contribute to the Public Service Pension Plan (the plan), a jointly trusteed pension plan. The plan is a multi-employer contributory defined benefit pension plan. As at March 31, 2002, the corporation has approximately 370 employees contributing to the plan which has approximately 57,000 active contributors.

Employer contributions to the plan are included in salaries and benefits and represent the amount of pension expense for the year. For the year ended March 31, 2002, employees contributed 5.5% of salary up to the Canada Pension Plan's Year's Maximum Pensionable Salary (YMPE) and 7% for salaries above that. The corporation contributed 6.5% of salary up to the YMPE and 8% for salaries above that.

9. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS *continued*

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation (March 31, 1999) has determined the plan is in a surplus position. The surplus is not attributable to individual employers or members.

Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. The cost of these future benefits is included in salaries and benefits expense.

10. COMMITMENTS

The corporation entered into a service agreement April 1, 2000 with the British Columbia Buildings Corporation to provide existing and future accommodation needs, with the term of the agreement extending to March 31, 2010. The estimated cost for building rental and accommodation services for the years ending March 31, 2003-2007 is $2.0 million per year.

11. FINANCIAL INSTRUMENTS

The corporation's financial instruments consist of cash, short-term investments, accounts receivable and accounts payable. It is management's opinion that the corporation is not exposed to significant risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

12. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current presentation.